

**Statement of Judy Canales  
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**Before the Subcommittee on Rural Development, Biotechnology,  
Specialty Crops, and Foreign Agriculture  
U.S. House Committee on Agriculture  
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**Introduction**

Mr. Chairman, Members of the Subcommittee, thank you for your invitation to testify regarding the United States Department of Agriculture's Rural Business-Cooperative Services (RBS). This is my first time appearing before you, and I hope it will be the beginning of a great relationship. As we all know, we are in a tough economic time, but with your commitment and the work of the Obama administration, we have the funds, the skills and the dedication to turn our economy around. I appreciate the opportunity to discuss our USDA business programs today.

**Background**

At the start, I would like to give you a brief overview of my background and my work with rural America. I had the privilege of serving as the Deputy State Director for Rural Development in Texas for five years and I spent two years working at the U.S. Department of Housing and Urban Development during the Clinton administration. For the last eight years I worked in economic development and taught at a community college in rural South Texas. I am thrilled to have the opportunity to come back to Rural Development and to serve as the Administrator for RBS.

My objective today is to show you not just the goals we have for Rural Development, but the real accomplishments we have made since I started on May 19, 2009, and since the administration took office on January 20, 2009.

### **New Administration – Priorities**

Secretary Tom Vilsack outlined his priorities for USDA to ensure that all staff was operating on the same page, as the voice of rural issues for the Obama administration. He challenged us, “to build rural communities that can create wealth, that are self-sustaining, repopulating and that are thriving economically.” Within RBS we have an important role to play, and I will talk briefly about the programs we have to address the Secretary’s challenge.

### **Local Food Systems**

We will expand and support local and regional food systems to foster wealth creation. As part of the Business & Industry (B&I) Loan Guarantee Program, entities can receive loan guarantees to assist enterprises that process, distribute, aggregate, store, and market locally or regionally produced agricultural food products. The Agency is required by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) to reserve a minimum of five percent of available funds from the B&I Program for this purpose until April 1 of each year through fiscal year (FY) 2012; however, applicants are encouraged to apply for loan guarantees throughout the year. RBS is committed to supporting local and regionally produced agricultural food products and continuous funding is available for this purpose.

## **Alternative Energy**

We will conduct feasibility studies, and develop and invest in new energy alternatives by administering our portions of the 2008 Farm Bill. We have \$915 million in funding - over five years – that we will use for energy audits and to expand advanced biorefineries, renewables and energy efficiency systems through grants, loan guarantees and payments.

## **Regional Collaboration and Strategic Partners**

We know that we cannot do this alone, but we, along with the Rural Utilities Service and Rural Housing Service, will provide leadership, education and training, and technical support to create collaborative and regional partnerships between communities and interested parties. We are examining how we can use the authority you have provided us to ensure that communities and stakeholders work together and that tax dollars are used in most effectively.

These strategies are not just a reflection of a new administration, but a reflection of the American Recovery and Reinvestment Act of 2009 (ARRA), the 2008 Farm Bill and the needs of our constituents. These priorities drive our work and I am here to give you a progress report on our efforts.

## **Business Programs**

### **B&I Guaranteed Loan Program**

Within RBS, I manage two programs receiving ARRA funding, the B&I Guaranteed Loan Program and the Rural Business Enterprise Grant Program (RBEG). The B&I Guaranteed Loan Program has been Rural Development's flagship job creation and capital expansion

business program since 1974. Through our regular funding, for FY 2009, we obligated \$1.2 billion, totaling 487 loans. A project example is a \$7.3 million loan guarantee to expand a manufacturing plant that makes HVAC equipment in a persistent poverty and high unemployment area. It provided much needed funding to assist in closing the gap in opportunities for underserved and rural populations. In FY 2010, there is \$52.9 million in budget authority to support a program level of approximately \$993 million for businesses of all types.

The B&I Guaranteed Loan Program has been very popular during regular funding cycles and we expect growing participation under ARRA. We retooled our loan assistance to improve access to capital and we have an additional \$1.7 billion to bring to the table due to ARRA funding.

### **Rural Business Enterprise Grant Program**

The second program receiving ARRA funding is RBEG. RBEG provides funds for activities that will positively impact employment opportunities. The total funding available under ARRA is \$19.4 million and more than \$15.3 million was awarded on July 28, 2009, during the first round of funding. About \$4.1 million is still available, but we fully expect the requests to utilize all available funding in the second round. Our goal is to submit project recommendations to Secretary Vilsack by the end of October 2009.

### **Farm Bill**

#### ***Rural Microentrepreneur Assistance Program***

Another new source of funding is the Rural Microentrepreneur Assistance Program (RMAP), established under the 2008 Farm Bill. RMAP will provide capital access, business-based training and technical assistance to the smallest of small businesses, including start-ups (10 employees or less). The proposed rule was actually just published in the *Federal Register* on October 7, 2009. We have \$4 million in mandatory funding for FY 2009 and an additional \$4 million for FY 2010. We expect permanent regulations to be in place January 2010. RMAP will allow rural Americans that lack start-up capital to achieve their dreams of becoming small business owners.

### ***Energy***

Other 2008 Farm Bill programs significantly expanded our energy portfolio. These programs are directed at finding ways to use energy investments in rural America to boost our economy. Agriculture and farm-based energy generation can reduce greenhouse gas emissions, improve the nation's energy security and foster sustainable development.

On May 5, President Obama emphasized his commitment to the deployment of advanced biofuels. In that announcement the President also underscored his commitment in a directive to Secretary Vilsack to make the renewable energy provisions from the 2008 Farm Bill available within 30 days. We are happy to report we met this directive and our programs are underway.

### **Section 9003: Biorefinery Assistance Program.**

The new Biorefinery Assistance Program (Section 9003) funds are used to assist in the development of new and emerging technologies for the development of advanced biofuels. This provision allows for loan guarantees and grants to develop, construct and retrofit commercial-scale biorefineries for second and third generation feedstock. Currently, funding is only available for loan guarantees, as indicated in the Notice of Funds Availability (NOFA) that was published on November 20, 2008. The first application window closed on December 31, 2008, and two projects, one for cellulosic ethanol and another for retrofitting, received loan guarantees. We anticipate making grants once permanent regulations are developed. A proposed rule is expected to be published for comment in January 2010.

#### Section 9004: Repowering Assistance.

The Repowering Assistance Program (Section 9004) funds are for replacing fossil fuels used for heating or powering biorefineries (that were in existence at the time the 2008 Farm Bill was passed) with renewable biomass. A NOFA was published June 12, 2009, and we are currently reviewing applications for payments. A proposed rule is expected to be published for comment in December 2009.

#### Section 9005: Bioenergy Program for Advanced Biofuels.

The Bioenergy Program for Advanced Biofuels (Section 9005) provides payments for eligible producers to expand production of advanced biofuels. Since the publication of the NOFA on June 12, 2009, we have received 180 applications and payments will be made in early FY 2010. A proposed rule is expected to be published for comment in December 2009.

### Section 9007: Rural Energy for America Program.

Last, but certainly not least, is the most popular 2008 Farm Bill program we have, the Rural Energy for America Program (Section 9007). It expands and renames the Renewable Energy Systems and Energy Efficiency Improvements Program (Section 9006) under the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). Section 9007 has provided more than 2,000 grants and loan guarantees from FY 2003-2008 for energy efficiency and renewable energy projects ranging from biofuels to wind, solar, geothermal, methane gas, and other biomass projects. A change from the 2002 Farm Bill now allows us to fund hydroelectric, ocean source technologies and energy audits.

In 2009, funding was obligated as \$26.6 million in grants, \$8.5 in loan guarantees, and \$76.8 million in grant and loan guarantee combinations.

The 2008 Farm Bill provides us with programs to spur deployment of advanced biofuels, develop renewable energy technologies and to shift to second and third generation feed stocks. We recognize the compelling need to diversify away from fossil fuels for national, environmental, and energy security reasons. We know that biofuels are a historic economic opportunity for agricultural producers and rural America and we are committed to their growth.

### Cooperatives

I just covered our Rural Business programs and I would now like to focus on the Cooperative Services programs. The cooperative form of organizational governance is another

cornerstone of business development in rural communities, whether in the traditional form of agricultural producers or in the non-traditional form that brings day care services to rural communities or new generation biofuel cooperatives that lessen our dependence on foreign oil. Cooperatives provide rural residents with new job opportunities, enhanced educational and health care services and products that enable them to compete with their urban and suburban counterparts. Opportunities are created locally and revenues are maintained and re-circulated locally.

The participatory, self-help foundation, upon which cooperative organizations are based, exemplifies the very grassroots efforts that made our nation great and have served our rural communities well. Our Cooperative Programs help our constituents adjust to continually changing economic forces and allow them to operate and compete in today's global marketplace.

We have over 80 years of experience working with the cooperative sector and remain the only federal agency charged with that responsibility. We support 2,473 U.S. farmer, rancher, and fishery cooperatives who reported gross sales of \$191.9 billion in 2008.

A March 2009 study, done in conjunction with the University of Wisconsin, found that the total gross revenue generated by cooperatives in the U.S. is \$653 billion and that cooperatives pay the wages of 853,000 workers. USDA has seen an increased demand for high quality research and technical assistance for the cooperative business model. Given current economic conditions, we expect demand to increase over the coming years. There is



evidence, according to multiple studies including a USDA study in 2003, *Measuring the Economic Impact of Cooperatives in Minnesota* (by the University of Wisconsin), that a community which relies more heavily upon cooperatives will be more successful in retaining wealth and reducing the boom-and-bust cycles often associated with businesses controlled from outside the community.

On September 15, 2009, we announced funding to help local cooperatives as part of the 'Know Your Farmer, Know Your Food' initiative that Deputy Secretary Kathleen Merrigan is leading. Twenty-eight organizations in 21 states were selected to receive \$4.8 million in grants as part of our regular Rural Cooperative Development Grant program.

For example, Rural Development is awarding a \$200,000 grant to The Ohio State University Research Foundation to support the foundation's efforts to help individuals and new and emerging cooperative business entities. The Foundation will provide technical assistance to a statewide farmers' market management network cooperative, and a newly formed purchasing cooperative for businesses in Appalachia.

Meanwhile, the Value-Added Agriculture Development Center in Pierre, S.D., has been selected to receive a \$200,000 grant to continue supporting the creation of producer-owned, value-added agriculture. The Center will help local growers educate the public, lenders and producers about the benefits of value-added agriculture. These efforts often increase sales of locally grown crops in addition to increasing local agriculture's contribution to area residents' health and to the local economy.

### **Value-Added Producer Grant program**

When Under Secretary for Rural Development, Dallas Tonsager, testified before you on June 10, 2009, he spoke about our Value-Added Producer Grant Program (VAPG). The VAPG program encourages independent agricultural commodity producers to further refine or enhance their products, thereby increasing their value to end-users and increasing their returns to producers. Since 2001, Cooperative Programs has awarded over 1,200 planning and working capital grants for a wide array of products, including projects for specialty meats, vegetable and dairy products, forest products and renewable energy.

The FY2009 NOFA for the VAPG program was issued on September 1, 2009, and to ensure that potential recipients have the greatest opportunity to apply, we extended the application period to three months, pushing the award date into early 2010. With a new focus on local foods and value chains, or food systems, we are anticipating many creative applications. Farms and rural economies are interdependent and value-added agriculture drives sustainable development across the board in rural communities. I look forward to working with this Subcommittee to ensure that we maximize the potential of this program.

### **Conclusion**

Using all of our funding sources -- Annual Appropriations Acts, Disaster supplementals, ARRA and 2008 Farm Bill -- we have never had as much funding available to support rural America and fund new rural business ventures as we do today. We are committed to

improving the lives of rural Americans and to awarding loans, grants, loan guarantees and payments that show promise and innovative ways to support our communities.

In closing, let me again thank this Subcommittee and Congress for the generous support you have provided over the years to Rural Development. I look forward to greater collaboration because - ultimately, we are here for the same reason – to build the future of rural America. We have a new administration, new priorities and an opportunity for new relationships. I am both honored and humbled by the opportunity to return to Rural Development as the Administrator for Rural Business-Cooperative Services and I look forward to many more discussions in the future.